

**EAST GRAND RAPIDS
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2008

EAST GRAND RAPIDS PUBLIC SCHOOLS
Table of Contents

For the year ended June 30, 2008

Financial Section

<i>Independent Auditor's Report</i>	<i>1</i>
<i>Management's Discussion and Analysis</i>	<i>3</i>
<i>Basic Financial Statements</i>	<i>13</i>
District-Wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	23
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	24
Statement of Changes in Fiduciary Net Assets	25
Notes to Basic Financial Statements	26
<i>Supplemental Information</i>	
Combining and Individual Fund Statements and Schedules:	
General Fund	45
Comparative Balance Sheet	46
Comparative Schedule of Revenues	47
Comparative Schedule of Expenditures	48

EAST GRAND RAPIDS PUBLIC SCHOOLS
Table of Contents (Continued)

For the year ended June 30, 2008

Nonmajor Governmental Funds	53
Combining Balance Sheet.....	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	56
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	58
Athletics Special Revenue Fund.....	59
Special Revenue Funds.....	60
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	61
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	62
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	63
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	64
Debt Service Funds.....	65
Combining Balance Sheet.....	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	68
Capital Projects Funds	70
Building and Site Capital Projects Fund:	
Comparative Balance Sheet.....	71
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	72
2000 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	73
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	74
2006 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	75
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	76
2007 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	77
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	78
Agency Fund.....	79
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	80

EAST GRAND RAPIDS PUBLIC SCHOOLS

Table of Contents (Continued)

For the year ended June 30, 2008

Other Information:

Summary of 2007 Taxes Levied and Collected.....	82
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Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 22, 2008

The Board of Education
East Grand Rapids Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Grand Rapids Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of East Grand Rapids Public Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008 on our consideration of East Grand Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of East Grand Rapids Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the East Grand Rapids Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-Wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 27,094,201	\$ 27,370,409
Capital assets, net book value	<u>58,015,521</u>	<u>48,675,762</u>
Total Assets	<u>85,109,722</u>	<u>75,794,191</u>
Liabilities		
Current liabilities	7,600,799	9,202,225
Long-term liabilities	<u>81,729,529</u>	<u>70,053,778</u>
Total Liabilities	<u>89,330,328</u>	<u>79,256,003</u>
Net Assets		
Invested in capital assets, net of related debt	(10,247,474)	(8,509,925)
Restricted	968,492	901,648
Unrestricted	<u>5,058,376</u>	<u>4,398,445</u>
Total Net Assets	<u>\$ (4,220,606)</u>	<u>\$ (3,209,832)</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 1,798,939	\$ 1,825,390
Operating grants	2,599,445	2,529,761
General Revenues		
Property taxes	6,355,841	6,013,928
State school aid, unrestricted	22,457,285	22,276,156
Interest earnings	880,539	1,102,222
Other	206,286	266,751
Total Revenues	<u>34,298,335</u>	<u>34,014,208</u>
Expenses		
Instruction	17,100,541	16,889,108
Supporting services	12,200,595	12,030,250
Community services	465,938	429,876
Food service	909,802	878,667
Athletics	855,868	921,548
Other	25,695	24,133
Interest on long-term debt	3,750,670	3,353,802
Total Expenses	<u>35,309,109</u>	<u>34,527,384</u>
Increase (decrease) in net assets	(1,010,774)	(513,176)
Net Assets - Beginning of Year	<u>(3,209,832)</u>	<u>(2,696,656)</u>
Net Assets - End of Year	<u><u>\$ (4,220,606)</u></u>	<u><u>\$ (3,209,832)</u></u>

The District's financial position is the product of many factors. Historical expenditure reductions and closely monitored spending practices helped ensure the financial stability of the General Fund.

The District's total revenues increased 1% to \$34.3 million. Unrestricted State aid accounted for 65% of the revenues, while property taxes amounted to 18.5%. Another 7.6% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services increased 2.3% to \$35.3 million. Modest personnel expense increases as well as an increase in interest on long term debt account for the increase in cost. The increase in interest on long term debt is the result of the community supporting capital improvement bond issues in May 2006 and November 2007. The District's budget committee was successful in developing a comprehensive budget plan which maintained academic programs for students in East Grand Rapids during 2007-08.

Expenses surpassed revenues by \$1,010,774 on the Statement of Activities, increasing the deficit in Net Assets to \$4,220,606. However, Unrestricted Net Assets increased by \$659,931 to \$5,058,376 at June 30, 2008.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The recent stability of the District's finances can be attributed to steady to slightly increased student enrollment, proactive budgeting, and outstanding Community support.

- Budgets for 2007-08 were based on an anticipated reduction in state per-pupil funding during the fiscal year. Actual per-pupil funding was not reduced resulting in additional State Aid compared to budget.
- The support expressed by the community in the 1.3455 mill recreational millage increase resulted in increased revenue of \$734,265.
- The District benefited in 2007-08 from unanticipated revenues related to the Kent County itinerant staff project as well as federal Medicaid funding.

The District has also worked to reduce costs in many areas through collaboration with other districts, changing contracted vendors, utilization of governmental reimbursement programs where possible and just shopping for the best price:

- The District offered an early retirement incentive to professional staff, which allowed the district to lower overall personnel costs.
- The District continues to optimize revenue and reduce expense through the Federal E-Rate program and cooperative contracts for the purchase of utility services.
- The District continued its partnership with regional schools through KISD to create a regional transportation program for Special Education creating efficiencies and future additional revenues.
- The District receives a base payment from three different vendors for a cell tower antenna at the High School, as well as an annual accrual payment from Coca Cola through the KISD Beverage Consortium.

The administration will push to increase these and other cost saving programs for the next fiscal year. As State revenues level out or actually decrease, it will be essential that the District continue to try to reduce expenditures and maximize revenues.

- Local revenues including property taxes and major donations accounted for \$2.97 million, or about 10.67% of General Fund revenues.
- Most of the District's costs were financed by State Aid which represented 81.6% of General Fund revenues.
- The district continues to participate in the first regional self-funded employee benefits pool, which brings more competition to the school employee benefits marketplace and has assisted in the stabilization of employee benefit costs.
- The District has partnered with Energy Education Inc. to maximize efficiency of energy usage to offset some of the recent increase in utility prices.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. East Grand Rapids Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$27,866,286, total expenditures of \$26,757,482, and total other financing uses of \$510,047. It ended the fiscal year with a fund balance of \$4,992,311, up from \$4,393,554 as of June 30, 2007, for an increase of \$598,757.

Building and Site Fund

The Building and Site (Sinking) Fund is funded by annual property tax levies which are utilized to improve District facilities. Current year revenues totaled \$302,100 and expenditures totaled \$57,586 leaving a remaining fund balance at June 30, 2008 of \$1,538,803.

2006 Construction Fund

The District issued \$18,900,000 in capital improvement bonds in 2006 to finance building renovations and equipment purchases. Current year investment earnings totaled \$490,359 and capital outlay expenditures totaled \$11,338,940, leaving a remaining fund balance at June 30, 2008 of \$4,141,408 with which to complete the projects over subsequent fiscal years.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

2007 Construction Fund

The District issued \$12,480,000 in capital improvement bonds in 2007 and 2008 to finance building renovations, land improvements and equipment purchases. Current year investment earnings totaled \$126,306 and capital outlay expenditures totaled \$1,387,801, leaving a remaining fund balance at June 30, 2008 of \$11,316,780 with which to complete the projects over subsequent fiscal years.

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletic programs. Total revenues were \$1,105,685 and other financing sources (inter-fund transfers) were \$510,047, with total expenditures of \$1,665,421. Both funds continued to meet financial expectations resulting in ending fund balances of \$186 for Food Service and \$14,661 for Athletics.

Debt Service Funds

The District operates four Debt Service Funds. Total revenues were \$4,442,920, other financing sources (loan proceeds of \$1,222,379 and inter-fund transfers of \$5,352) were \$1,227,731 and total expenditures were \$5,504,966. The ending fund balances in the Debt Service Funds were \$277,965.

Capital Projects Funds

There is one nonmajor Capital Projects Fund incorporated into the financial statements of the District, the 2000 Construction Fund, which had total revenues of \$3,259 and total other financing uses (transfers out) of \$5,352 to close the fund at June 30, 2008.

Fiduciary Funds

The Student Activities Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of District students. Balances on hand at June 30, 2008 totaled \$353,711.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$7,831, the actual results for the year show a \$598,757 surplus. The majority represented the avoidance of an anticipated mid-year reduction in State funding of \$120,000, building and department budgets carrying over \$173,714, and the receipt of unanticipated State and federal revenues totaling \$92,258.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had capital assets totaling \$81 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

In fiscal year 2008 the District spent \$10,764,291 for capital projects principally in the areas of:

- District-wide improvements to all five school buildings and district maintenance building
- New technology totaling \$1.1 million
- In-progress improvements to district athletic facilities, including new synthetic turf for the soccer field and an expansion to the High School which includes an auxiliary gymnasium and enhancements to the training facility and pool.

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation) was \$58,015,521. Accumulated depreciation increased \$1,424,532, leaving a net increase in the book value of capital assets of \$9,339,759 which are detailed as follows:

Land	\$ 450,000
Construction in progress	13,946,980
Land improvements	1,761,419
Buildings and additions	41,546,658
Furniture and equipment	140,323
Vehicles	<u>170,141</u>
Net Capital Assets	<u>\$ 58,015,521</u>

Long-Term Debt

At year end, the District had \$84 million in general obligation bonds and other long-term debt outstanding – a net increase of \$11,470,817 from June 30, 2007, as the District issued at total of \$12,480,000 in building and site bonds during the 2007-08 fiscal year and paid \$2,370,000 on previously issued outstanding bonds.

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, capital leases, and early retirement incentive. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The health of the State of Michigan economy remains a major concern for the District, potentially resulting in little or no funding increases in the immediate future.
- In the winter of 2004 Kent County passed a 1 mill increase county-wide for Special Education programs. In June 2004 the voters of East Grand Rapids approved a 1.4 mill recreation increase. These increases will help the District maintain excellent academic programs in 2008-09.
- The continued development of the West Michigan Health Insurance Pool gives the District reason for optimism related to Health Insurance cost increases.
- The implementation of the district energy conservation program in partnership with Energy Education Inc. will allow the District to control its energy costs in an environment of rapidly increasing prices for energy.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, East Grand Rapids Public Schools, 2915 Hall Street, East Grand Rapids, MI 49506.

BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash equivalents, deposits and investments (Note B)	\$ 21,704,405
Taxes receivable (Note C)	26,613
Accounts receivable	115,641
Due from other governmental units (Note C)	4,628,598
Inventory (Note A)	97,461
Prepaid expenses	68,137
Unamortized bond issuance costs	453,346
Total Current Assets	<u>27,094,201</u>
Noncurrent Assets	
Capital assets (Note E)	81,002,031
Less accumulated depreciation	<u>(22,986,510)</u>
Total Noncurrent Assets	<u>58,015,521</u>
Total Assets	<u>85,109,722</u>
Liabilities	
Current Liabilities	
Accounts payable	820,285
State aid anticipation loan payable (Note F)	1,500,000
Due to other governmental units	507,513
Accrued interest payable	904,503
Salaries payable	1,401,854
Deferred revenue (Note G)	21,644
Current portion of long term obligations	<u>2,445,000</u>
Total Current Liabilities	<u>7,600,799</u>
Noncurrent Liabilities (Note A, H)	
General obligation bonds payable	76,550,000
State school bond loan payable	7,487,318
Unamortized bond premium	137,211
Current portion of long term obligations	<u>(2,445,000)</u>
Total Noncurrent Liabilities	<u>81,729,529</u>
Total Liabilities	<u>89,330,328</u>
Net Assets	
Invested in capital assets, net of related debt	(10,247,474)
Restricted for:	
Debt service	(570,750)
Capital projects	1,539,242
Unrestricted	<u>5,058,376</u>
Total Net Assets	<u><u>\$ (4,220,606)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities				
Instruction	\$ 17,100,541	\$ 119,101	\$ 2,289,111	\$(14,692,329)
Supporting services	12,200,595	341,383	146,267	(11,712,945)
Community services	465,938	396,837	-	(69,101)
Food service	909,802	693,973	164,067	(51,762)
Athletics	855,868	247,645	-	(608,223)
Other	25,695	-	-	(25,695)
Interest on long-term debt	3,750,670	-	-	(3,750,670)
Total Governmental Activities	\$ 35,309,109	\$ 1,798,939	\$ 2,599,445	(30,910,725)
General Revenues				
Taxes:				
Property taxes, levied for general operations				1,738,508
Property taxes, levied for debt service				4,347,920
Property taxes, levied for capital improvements				269,413
State school aid, unrestricted				22,457,285
Interest and investment earnings				880,539
Other				206,286
Total General Revenues				29,899,951
Change in Net Assets				(1,010,774)
Net Assets - Beginning of Year				(3,209,832)
Net Assets - End of Year				\$ (4,220,606)

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Building and Site</u>	<u>2006 Construction</u>
Assets			
Cash equivalents, deposits and investments (Note B)	\$ 3,567,804	\$ 1,576,682	\$ 4,447,753
Receivables:			
Taxes (Note C)	18,024	439	-
Accounts	97,737	-	-
Due from other funds (Note D)	231,933	2,997	8,750
Due from other governmental units (Note C)	4,621,350	-	-
Inventory (Note A)	88,346	-	-
Prepaid expenditures	66,562	-	-
Total Assets	<u><u>\$ 8,691,756</u></u>	<u><u>\$ 1,580,118</u></u>	<u><u>\$ 4,456,503</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 206,552	\$ 12,100	\$ 269,160
State aid anticipation loan payable (Note F)	1,500,000	-	-
Due to other funds (Note D)	2,997	28,776	45,935
Due to other governmental units	500,359	-	-
Accrued interest payable	47,638	-	-
Salaries payable	1,372,217	-	-
Deferred revenue (Note G)	69,682	439	-
Total Liabilities	<u><u>3,699,445</u></u>	<u><u>41,315</u></u>	<u><u>315,095</u></u>
Fund Balances			
Reserved for:			
Debt service	-	-	-
Capital outlay	-	1,538,803	4,141,408
Inventory	88,346	-	-
Encumbrances	657	-	-
Unreserved:			
Designated for:			
Joint facilities	123,424		
Textbook purchases	120,000		
Undesignated, reported in:			
General fund	4,659,884	-	-
Special revenue funds	-	-	-
Total Fund Balances	<u><u>4,992,311</u></u>	<u><u>1,538,803</u></u>	<u><u>4,141,408</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 8,691,756</u></u>	<u><u>\$ 1,580,118</u></u>	<u><u>\$ 4,456,503</u></u>

See accompanying notes to basic financial statements.

<u>2007 Construction</u>	<u>Nonmajor</u>	<u>Total</u>
\$11,633,854	\$ 478,312	\$21,704,405
-	8,150	26,613
-	17,391	115,128
-	5,352	249,032
-	7,248	4,628,598
-	9,115	97,461
-	1,575	68,137
<u>\$11,633,854</u>	<u>\$ 527,143</u>	<u>\$26,889,374</u>
\$ 308,324	\$ 24,149	\$ 820,285
-	-	1,500,000
8,750	162,061	248,519
-	7,154	507,513
-	-	47,638
-	29,637	1,401,854
-	11,330	81,451
<u>317,074</u>	<u>234,331</u>	<u>4,607,260</u>
-	277,965	277,965
11,316,780	-	16,996,991
-	-	88,346
-	-	657
		123,424
		120,000
-	-	4,659,884
-	14,847	14,847
<u>11,316,780</u>	<u>292,812</u>	<u>22,282,114</u>
<u>\$11,633,854</u>	<u>\$ 527,143</u>	<u>\$26,889,374</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances		\$ 22,282,114
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$81,002,031 and accumulated depreciation is \$22,986,510.		58,015,521
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		316,135
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(76,550,000)	
State school bond loan payable	<u>(7,487,318)</u>	(84,037,318)
Accrued interest is not included as a liability in governmental funds.		(856,865)
Deferred revenue recognized as revenue in the full accrual statements:		
Donations	\$ 33,194	
Property taxes	<u>26,613</u>	<u>59,807</u>
Total net assets - governmental activities		<u><u>(4,220,606)</u></u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Building and Site	2006 Construction
Revenues			
Local sources	\$ 2,973,623	\$ 302,100	\$ 490,359
State sources	22,738,255	-	-
Federal sources	608,759	-	-
Interdistrict sources	1,545,649	-	-
Total Revenues	<u>27,866,286</u>	<u>302,100</u>	<u>490,359</u>
Expenditures			
Current:			
Instruction	16,145,063	-	-
Supporting services	10,202,032	-	-
Community services	403,005	-	-
Food service	-	-	-
Athletics	-	-	-
Capital outlay	7,382	57,586	11,338,940
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>26,757,482</u>	<u>57,586</u>	<u>11,338,940</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,108,804</u>	<u>244,514</u>	<u>(10,848,581)</u>
Other Financing Sources (Uses)			
Bond proceeds	-	-	-
Loan proceeds	-	-	-
Bond premium	-	-	-
Transfers in	-	-	-
Transfers out	(510,047)	-	-
Total Other Financing Sources (Uses)	<u>(510,047)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	598,757	244,514	(10,848,581)
Fund Balances, Beginning of Year	<u>4,393,554</u>	<u>1,294,289</u>	<u>14,989,989</u>
Fund Balances, End of Year	<u><u>\$ 4,992,311</u></u>	<u><u>\$ 1,538,803</u></u>	<u><u>\$ 4,141,408</u></u>

See accompanying notes to basic financial statements.

2007 Construction	Nonmajor	Total
\$ 126,306	\$ 5,387,797	\$ 9,280,185
-	37,830	22,776,085
-	126,237	734,996
-	-	1,545,649
126,306	5,551,864	34,336,915
-	-	16,145,063
-	-	10,202,032
-	-	403,005
-	896,948	896,948
-	768,473	768,473
1,387,801	-	12,791,709
-	2,370,000	2,370,000
-	3,134,966	3,134,966
1,387,801	7,170,387	46,712,196
(1,261,495)	(1,618,523)	(12,375,281)
12,480,000	-	12,480,000
-	1,222,379	1,222,379
98,275	-	98,275
-	515,399	515,399
-	(5,352)	(515,399)
12,578,275	1,732,426	13,800,654
11,316,780	113,903	1,425,373
-	178,909	20,856,741
\$ 11,316,780	\$ 292,812	\$22,282,114

EAST GRAND RAPIDS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$1,425,373

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$10,764,291	
Depreciation expense	<u>(1,424,532)</u>	9,339,759

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead considered deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (21,609)

As some private source donations were not collected within the "revenue recognition period", they are not considered "available" revenues in the governmental funds, and are instead counted as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (16,971)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 68,033

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (13,983,540)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:
Repayment of bonds 2,370,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (334,542)

In the Statement of Net Assets, early retirement incentive is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these paid/used (\$142,723) exceeded the amounts benefits earned (\$0). 142,723

Total changes in net assets - governmental activities \$(1,010,774)

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,851,417	\$ 2,842,768	\$ 2,973,623	\$ 130,855
State sources	22,243,364	22,496,146	22,738,255	242,109
Federal sources	628,527	664,037	608,759	(55,278)
Interdistrict sources	1,595,744	1,508,240	1,545,649	37,409
Total Revenues	<u>27,319,052</u>	<u>27,511,191</u>	<u>27,866,286</u>	<u>355,095</u>
Expenditures				
Current:				
Instruction:				
Basic programs	14,252,182	14,493,847	14,168,427	325,420
Added needs	1,857,252	1,956,343	1,976,636	(20,293)
Supporting services:				
Pupil services	1,538,380	1,690,055	1,699,386	(9,331)
Instructional staff services	1,771,583	1,728,694	1,649,599	79,095
General administrative services	615,537	645,881	626,297	19,584
School administrative services	1,912,598	1,917,619	1,887,062	30,557
Business services	569,829	544,396	641,469	(97,073)
Operation and maintenance services	3,125,499	3,114,708	3,148,010	(33,302)
Pupil transportation services	93,578	225,793	278,770	(52,977)
Central services	272,514	274,693	271,439	3,254
Community services	380,863	399,021	403,005	(3,984)
Capital outlay	-	15,000	7,382	7,618
Interdistrict	382,880	-	-	-
Total Expenditures	<u>26,772,695</u>	<u>27,006,050</u>	<u>26,757,482</u>	<u>248,568</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>546,357</u>	<u>505,141</u>	<u>1,108,804</u>	<u>603,663</u>
Other Financing Sources (Uses)				
Transfers out	(537,310)	(497,310)	(510,047)	(12,737)
Net Change in Fund Balances	<u>9,047</u>	<u>7,831</u>	<u>598,757</u>	<u>590,926</u>
Fund Balances, July 1	<u>4,393,554</u>	<u>4,393,554</u>	<u>4,393,554</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,402,601</u>	<u>\$ 4,401,385</u>	<u>\$ 4,992,311</u>	<u>\$ 590,926</u>

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	<u>\$ 4,295</u>	<u>\$ 349,416</u>
Liabilities		
Due to other funds (Note D)	\$ 475	\$ 38
Due to other governmental units	-	87
Due to student groups	-	349,291
	<u>475</u>	<u>349,416</u>
Total Liabilities		
	<u>475</u>	<u>\$ 349,416</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 3,820</u>	

See accompanying notes to basic financial statements.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2008

	Private Purpose Trust Fund
Additions	<u>\$ -</u>
Deductions	<u>-</u>
Change In Net Assets	-
Net Assets, Beginning of Year	<u>3,820</u>
Net Assets, End of Year	<u><u>\$ 3,820</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

East Grand Rapids Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,004 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by State statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of East Grand Rapids Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted State aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund, the Building and Site Fund, and 2006 and 2007 Construction Capital Projects Funds are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. East Grand Rapids Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

East Grand Rapids Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of custodial and maintenance supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

11. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools authorized by the Surplus Funds Investment Pool Act.

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 21,704,405
Fiduciary Funds:	
Trust and Agency Funds	<u>353,711</u>
	<u>\$ 22,058,116</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Fifth Third Bank
2. Founders Trust Bank

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2008 balances are detailed as follows:

Cash equivalents	<u>\$ 10,514,042</u>
------------------	----------------------

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents were \$10,514,042 and the bank balance was \$11,334,378. Of the bank balance, \$200,000 was covered by federal depository insurance and \$11,134,378 was uninsured.

Investments

As of June 30, 2008 the District had the following investments:

	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
Investment Pool Accounts:		
Michigan Liquid Asset Fund Plus	N/A	\$ 187,424
U.S. Government Agency Securities:		
Federal National Mortgage Association (FNMA)	AAA	1,956,578
Federal Home Loan Bank (FHLB)	AAA	3,567,890
Federal Home Loan Mortgage Corporation (FHLMC)	AAA	301,013
Federal Farm Credit Bank Consolidated Discount Notes (FFCBCDN)	AAA	1,500,000
Other:		
Fountain Square Community Fund Commercial Paper (FSCF)	A1+	3,994,400
Fifth Third Securities Money Market Fund	N/A	36,769
		<u>\$ 11,544,074</u>

The Michigan Liquid Asset Fund (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2008. The MILAF Fund is rated AAAM by Standard & Poor's.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by State statute.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

investments to the types allowed by the State. The weighted average maturity (WAM) (in years) for the FNMA securities was .4644; for the FHLB securities .1902; for the FHLMC securities 20.10, and for the FFCBCDN securities was .0027. The WAM for the portfolio was 1.3128.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. More than 5 percent of the District's investments are in FNMA securities (17%); FHLB securities (31%); FFCBCDN securities (13%), and FSCF commercial paper (35%).

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the East Grand Rapids Public School District, and paid to the State of Michigan, totaled \$3,274,409.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for East Grand Rapids Public Schools was \$7,770 for 3,010 "Full Time Equivalent" students, generating \$22,595,522 in State aid payments to the District of which \$4,129,334 was paid to the District in July and August, 2008 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2008.

Property taxes for the District are levied July 1 (the tax lien dates) by the City of East Grand Rapids and the Charter Township of Grand Rapids, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Building & Site	Total
2007	\$ 2,596	\$ 1,065	\$ 66	\$ 3,727
2006	512	183	11	706
2005	14,916	6,902	362	22,180
	<u>\$ 18,024</u>	<u>\$ 8,150</u>	<u>\$ 439</u>	<u>\$ 26,613</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (May, 2006) approved a ten year operating millage extension for the 18 mill non-homestead property tax which was levied for general operations in 2007.

The District levied a 1.3455 recreation millage, 7.95 mills for debt service purposes and .4926 mills for building and site in 2007, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from/to other funds representing interfund receivables and payables at June 30, 2008 are detailed as follows:

	Due From	Due To
General Fund		
Athletics Fund	\$ 12,168	\$ —
Food Service Fund	144,541	—
Building and Site Fund	28,776	2,997
2006 Construction Fund	45,935	—
Student Activities Fund	38	—
Attie Spaans Scholarship Fund	475	—
	<hr/>	<hr/>
Total General Fund	231,933	2,997
 Special Revenue Funds		
Athletics Fund:		
General Fund	\$ —	\$ 12,168
Food Service Fund:		
General Fund	—	144,541
	<hr/>	<hr/>
Total Special Revenue Funds	—	156,709

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	<u>Due From</u>	<u>Due To</u>
Debt Service Funds		
2000 Debt Fund:		
2000 Construction Fund	\$ 5,352	\$ —
Capital Projects Funds		
Building and Site Fund:		
General Fund	2,997	28,776
2000 Construction Fund:		
2000 Debt Fund	—	5,352
2006 Construction Fund:		
General Fund	—	45,935
2007 Construction Fund	8,750	—
2007 Construction Fund:		
2006 Construction Fund	—	8,750
	11,747	88,813
Trust and Agency Funds		
Student Activities Fund:		
General Fund	—	38
Attie Spans Scholarship Fund:		
General Fund	—	475
	—	513
Total All Funds	<u>\$ 249,032</u>	<u>\$ 249,032</u>

The balances represent reimbursements for expenditures incurred in 2007-08 and not paid until subsequent to the end of the fiscal year.

Transfers between funds during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 508,185
Food Service Fund	—	1,862
Special Revenue Funds		
Athletics Fund:		
General Fund	508,185	—
Food Service Fund:		
General Fund	1,862	—
Debt Service Fund		
2000 Debt Fund:		
2000 Construction Fund	5,352	—
Capital Projects Fund		
2000 Construction Fund:		
2000 Debt Fund	—	5,352
Total All Funds	<u>\$ 515,399</u>	<u>\$ 515,399</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year. \$5,352 was transferred to the 2000 Debt Service Fund to close out the 2000 Construction Fund. The General Fund transferred \$1,862 to the Food Service Fund to subsidize 2007-08 expenditures.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008
Capital assets not depreciated:				
Land	\$ 450,000	\$ —	\$ —	\$ 450,000
Construction in progress	3,192,639	10,754,341	—	13,946,980
Capital assets being depreciated:				
Land improvements	6,166,879	—	—	6,166,879
Buildings and additions	58,237,931	—	—	58,237,931
Furniture and equipment	1,662,375	—	—	1,662,375
Vehicles	527,916	9,950	—	537,866
Totals at historical cost	<u>70,237,740</u>	<u>\$10,764,291</u>	<u>\$ —</u>	<u>81,002,031</u>
Less accumulated depreciation for:				
Land improvements	\$ 4,351,879	\$ 53,581	\$ —	\$ 4,405,460
Buildings and additions	15,452,555	1,238,718	—	16,691,273
Furniture and equipment	1,449,422	72,630	—	1,522,052
Vehicles	308,122	59,603	—	367,725
Total accumulated depreciation	<u>21,561,978</u>	<u>\$ 1,424,532</u>	<u>\$ —</u>	<u>22,986,510</u>
Net Capital Assets	<u><u>\$ 48,675,762</u></u>			<u><u>\$ 58,015,521</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,098,202
Supporting services	163,148
Community services	62,933
Food service	12,854
Athletics	87,395
	<u>\$ 1,424,532</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note F – Short-term Debt

The \$2,180,000 August 18, 2006 state aid anticipation loan was repaid on August 20, 2007. On August 20, 2007, the District borrowed \$1,500,000 in anticipation of state aid (interest at 3.68%), due in full on August 20, 2008. Total interest expense on the loans was \$57,889 for the fiscal year.

Note G – Deferred Revenue

General Fund deferred revenue includes \$33,194 of private donations receivable at June 30, 2008, but not yet eligible for revenue recognition as of the audit report date.

Note H – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	Bond Issues	State School Bond Loan	Total
Amounts Available For Retirement Of Long-Term Debt			
Debt Service Funds	\$ 277,965	\$ —	\$ 277,965
Amounts To Be Provided For Retirement Of Long-Term Debt			
Debt Service Funds	76,272,035	7,487,318	83,759,353
Total Amounts Available And To Be Provided	<u>\$ 76,550,000</u>	<u>\$ 7,487,318</u>	<u>\$ 84,037,318</u>

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
February 1, 2000	\$ 1,150,000	\$ —	\$ 575,000	\$ 575,000
July 3, 2001	24,070,000	—	70,000	24,000,000
September 30, 2004	22,670,000	—	1,325,000	21,345,000
June 13, 2006	18,550,000	—	400,000	18,150,000
December 26, 2007	—	8,440,000	—	8,440,000
February 28, 2008	—	4,040,000	—	4,040,000
State school bond loan	5,983,778	1,503,540	—	7,487,318
Early retirement incentive	142,723	—	142,723	—
	<u>\$ 72,566,501</u>	<u>\$13,983,540</u>	<u>\$ 2,512,723</u>	<u>\$ 84,037,318</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Long-term bonds at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$27,515M Building and Site February 1, 2000: Annual maturity of \$575M	May 1, 2009	5.50	\$ 575,000	\$ 575,000
\$24,655M Refunding July 3, 2001: Annual maturities of \$75M to \$1,705M	May 1, 2029	4.20 - 5.50	24,000,000	75,000
\$25,125M Refunding September 30, 2004: Annual maturities of \$1,395M to \$2,175M	May 1, 2020	3.25 - 5.25	21,345,000	1,395,000
\$18,900M Building and Site June 13, 2006: Annual maturities of \$400M to \$1,300M	May 1, 2031	4.00 - 5.00	18,150,000	400,000
\$8,440M Building and Site December 26, 2007: Annual maturities of \$400M to \$480M	May 1, 2032	3.75 - 5.00	8,440,000	—
\$4,040M Building and Site February 28, 2008: Annual maturities of \$100M to \$235M	May 1, 2032	3.25 – 4.125	4,040,000	—
			<u>\$ 76,550,000</u>	<u>\$ 2,445,000</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$1,222,379 from the Fund and \$281,161 of accrued interest was added to the District’s liability to the Fund. At June 30, 2008, the District owed the Fund a total of \$7,487,318.

The annual requirements to pay principal and interest on long-term bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 2,445,000	\$ 3,697,488	\$ 6,142,488
2010	2,850,000	3,452,980	6,302,980
2011	2,990,000	3,347,669	6,337,669
2012	3,105,000	3,234,355	6,339,355
2013	3,230,000	3,114,454	6,344,454
2014	3,365,000	2,981,472	6,346,472
2015	3,535,000	2,810,699	6,345,699
2016	3,685,000	2,659,750	6,344,750
2017	3,870,000	2,476,788	6,346,788
2018	4,070,000	2,280,626	6,350,626

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2019	\$ 4,275,000	\$ 2,077,562	\$ 6,352,562
2020	4,485,000	1,865,950	6,350,950
2021	2,905,000	1,649,175	4,554,175
2022	2,995,000	1,511,600	4,506,600
2023	3,130,000	1,369,900	4,499,900
2024	3,265,000	1,221,899	4,486,899
2025	3,395,000	1,067,587	4,462,587
2026	3,465,000	906,651	4,371,651
2027	3,530,000	740,369	4,270,369
2028	3,625,000	570,872	4,195,872
2029	3,635,000	396,562	4,031,562
2030	1,975,000	218,194	2,193,194
2031	2,010,000	124,975	2,134,975
2032	715,000	30,094	745,094
	<u>\$ 76,550,000</u>	<u>\$ 43,807,671</u>	<u>\$ 120,357,671</u>

On July 3, 2001, the District issued \$24,655,000 of general obligation bonds to advance refund \$22,925,000 of outstanding 2000 serial bonds. The net proceeds of were deposited with Fifth Third Bank and used to purchase United States Treasury securities. Under the terms of this agreement, these securities, together with interest earned to maturity, will be sufficient to pay all principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds cannot be commingled with other funds and cannot be redeemed. Any excess funds will be returned to the District upon final payment of principal and interest (scheduled to be May 1, 2009). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done for the fiscal year ended June 30, 2008. The assets held by Fifth Third Bank to be used for the remaining principal and interest of \$24,269,150 on the defeased debt at June 30, 2008 are detailed in the following schedule:

	Cost	Market Value	Par Value
United States Treasury Securities	<u>\$25,890,765</u>	<u>\$24,050,587</u>	<u>\$24,259,441</u>

Note I – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$15,822,720. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,673,559, \$2,676,006 and \$2,409,625, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS uses the aggregate actuarial cost method, and does not make separate measurements of assets and actuarial accrued liability for individual school districts. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year that the State is reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note J – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,175,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$78,732 in premiums to the Trust for the year ended June 30, 2008.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,122,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2008, there were no material pending claims against the District. The District paid \$96,087 in premiums to the Fund for the year ended June 30, 2008.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note K – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2008, as follows:

	Budget	Actual	Unfavorable Variance
General Fund			
Instruction:			
Added needs	\$ 1,956,343	\$ 1,976,636	\$ 20,293
Supporting services:			
Pupil services	1,690,055	1,699,386	9,331
Business services	544,396	641,469	97,073
Operation and maintenance services	3,114,708	3,148,010	33,302
Pupil transportation services	225,793	278,770	52,977
Community services	399,021	403,005	3,984
Other financing uses:			
Transfers out	497,310	510,047	12,737
Special Revenue Funds			
Food Service	850,159	896,948	46,789
Athletics	756,139	768,473	12,334

Note L – Commitments

During the 2007-08 fiscal year, the District issued \$12,480,000 of general obligation building and site bonds whose proceeds are being used for building renovations and additions and furniture and equipment purchases. At June 30, 2008, unspent balances committed to this construction project totaled approximately \$15 million, which are expected to be fully expended by the year ending June 30, 2009.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 3,567,804	\$ 4,116,285
Receivables:		
Taxes	18,024	32,913
Accounts	97,737	124,683
Due from other funds	231,933	30,637
Due from other governmental units	4,621,350	4,303,871
Inventory	88,346	88,768
Prepaid expenditures	66,562	119,808
	<u>66,562</u>	<u>119,808</u>
Total Assets	<u><u>\$ 8,691,756</u></u>	<u><u>\$ 8,816,965</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 206,552	\$ 209,764
State aid anticipation loan payable	1,500,000	2,180,000
Due to other funds	2,997	127,614
Due to other governmental units	500,359	383,893
Accrued interest payable	47,638	70,419
Salaries payable	1,372,217	1,367,354
Deferred revenue	69,682	84,367
	<u>69,682</u>	<u>84,367</u>
Total Liabilities	<u>3,699,445</u>	<u>4,423,411</u>
 Fund Balances		
Reserved for:		
Inventory	88,346	88,768
Encumbrances	657	70,191
Unreserved:		
Designated:		
Joint facilities	123,424	-
Textbook purchases	120,000	-
Undesignated	4,659,884	4,234,595
	<u>4,659,884</u>	<u>4,234,595</u>
Total Fund Balances	<u>4,992,311</u>	<u>4,393,554</u>
 Total Liabilities and Fund Balances	<u><u>\$ 8,691,756</u></u>	<u><u>\$ 8,816,965</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Operating	\$ 1,008,329	\$ 927,072
Recreation	734,083	708,428
Delinquent property taxes	-	1,046
Other property taxes	-	9,421
Interest on delinquent taxes	9,287	5,607
In lieu of taxes	1,698	1,701
	<u>1,753,397</u>	<u>1,653,275</u>
Interest earnings:		
Interest on deposits and investments	142,708	99,537
Other local revenue:		
Preschool fees	67,474	55,678
Beverage consortium commissions	69,152	67,437
Bookstore	4,845	3,939
Child care fees	396,837	371,711
Joint facilities rental	182,593	214,288
Rental of school facilities	92,089	77,557
Donations	68,922	124,888
Field trip/copier reimbursement	-	440
Sale of school property	142,623	171,191
Refunds of expenditures	19,328	36,091
Miscellaneous	33,655	31,620
	<u>1,077,518</u>	<u>1,154,840</u>
Total local sources	<u>2,973,623</u>	<u>2,907,652</u>
State sources:		
State aid	22,557,692	22,371,705
FICA/retirement reimbursement	34,296	34,296
Special education - itinerants	51,534	24,066
Special education - transportation	94,733	62,960
Special education - Durant reimbursements	-	8,899
Total state sources	<u>22,738,255</u>	<u>22,501,926</u>
Federal sources:		
Title I	113,672	81,229
Title IIA	49,911	81,848
Title IID	1,024	796
Title V	782	441
I.D.E.A. program	436,992	420,606
Medicaid - school based	624	379
Drug free schools	5,754	3,221
Total federal sources	<u>608,759</u>	<u>588,520</u>
Interdistrict sources:		
Special education - county	1,435,676	1,449,272
Special education - tuition	58,494	73,394
Special education - shared costs	7,755	7,583
Medicaid fee for service	43,724	30,287
Total interdistrict sources	<u>1,545,649</u>	<u>1,560,536</u>
Total Revenues	<u><u>\$ 27,866,286</u></u>	<u><u>\$ 27,558,634</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,450,955	\$ 4,378,660
Employee benefits	1,956,960	1,974,565
Purchased services	129,585	126,138
Supplies	133,736	242,200
Capital outlay	2,177	1,404
Miscellaneous	8,308	7,470
	<u>6,681,721</u>	<u>6,730,436</u>
Middle school:		
Salaries	1,948,847	1,940,236
Employee benefits	855,028	813,335
Purchased services	66,975	54,440
Supplies	48,835	89,766
Capital outlay	4,668	4,235
Miscellaneous	2,909	3,432
	<u>2,927,262</u>	<u>2,905,444</u>
High school:		
Salaries	2,931,538	2,830,450
Employee benefits	1,302,613	1,230,450
Purchased services	123,812	99,801
Supplies	104,473	58,498
Capital outlay	9,273	15,061
Miscellaneous	15,289	21,297
	<u>4,486,998</u>	<u>4,255,557</u>
Preschool:		
Salaries	43,270	39,319
Employee benefits	23,143	25,039
Purchased services	421	78
Supplies	3,868	2,275
Capital outlay	90	-
Miscellaneous	1,654	1,176
	<u>72,446</u>	<u>67,886</u>
Total basic programs	<u>14,168,427</u>	<u>13,959,324</u>
Added needs:		
Special education:		
Salaries	1,160,740	1,110,412
Employee benefits	580,297	581,039
Purchased services	20,408	39,708
Supplies	8,371	11,363
Capital outlay	1,683	5,564
Miscellaneous	3,602	5,378
Payments to other districts	98,711	79,640
	<u>1,873,812</u>	<u>1,833,104</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education:		
Salaries	\$ 56,148	\$ 45,325
Employee benefits	25,350	14,046
Purchased services	-	737
Supplies	21,326	13,195
	<u>102,824</u>	<u>73,303</u>
Total added needs	1,976,636	1,906,407
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	443,361	427,176
Employee benefits	190,354	191,724
Purchased services	2,756	4,823
	<u>636,471</u>	<u>623,723</u>
Physical therapist services:		
Employee benefits	1,495	1,025
Purchased services	319	308
Supplies	502	623
Payments to other districts	114,209	114,148
	<u>116,525</u>	<u>116,104</u>
Psychological services:		
Salaries	50,105	59,420
Employee benefits	24,899	37,510
Purchased services	48,330	49,218
Supplies	164	109
Payments to other districts	81,082	68,528
	<u>204,580</u>	<u>214,786</u>
Speech pathology services:		
Salaries	58,523	54,682
Employee benefits	29,087	28,486
Purchased services	14,455	9,241
Supplies	937	1,124
Payments to other districts	128,704	126,117
	<u>231,706</u>	<u>219,651</u>
Social worker services:		
Salaries	97,274	106,083
Employee benefits	71,119	62,090
Purchased services	471	21
Supplies	988	913
Payments to other districts	94,019	91,801
	<u>263,871</u>	<u>260,908</u>
Teacher consultant services:		
Salaries	102,435	89,515
Employee benefits	39,393	34,732
Purchased services	476	220
Supplies	284	1,455
	<u>142,588</u>	<u>125,922</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Other pupil services:		
Salaries	\$ 84,714	\$ 78,086
Employee benefits	18,931	18,013
	<u>103,645</u>	<u>96,100</u>
Total pupil services	1,699,386	1,657,192
Instructional staff services:		
Improvement of instruction:		
Salaries	234,699	254,476
Employee benefits	98,003	100,267
Purchased services	100,862	121,455
Supplies	4,376	4,425
Capital outlay	2,444	6,477
Miscellaneous	53,133	48,096
	<u>493,517</u>	<u>535,196</u>
Educational media services:		
Salaries	367,204	350,590
Employee benefits	174,164	171,469
Purchased services	2,510	3,392
Supplies	27,534	27,954
	<u>571,412</u>	<u>553,405</u>
Technology department:		
Salaries	109,894	107,056
Employee benefits	49,570	46,571
Purchased services	23,766	35,266
Capital outlay	19,697	7,737
Miscellaneous	98,706	76,515
	<u>301,633</u>	<u>273,146</u>
Supervision and direction of instruction:		
Salaries	128,658	130,731
Employee benefits	57,307	60,156
Purchased services	4,162	5,088
Supplies	1,998	5,618
	<u>192,125</u>	<u>201,592</u>
Performing arts center:		
Salaries	61,387	58,872
Employee benefits	22,169	21,448
Supplies	3,335	1,240
Purchased services	4,021	3,032
	<u>90,912</u>	<u>84,592</u>
Total instructional staff services	1,649,599	1,647,931
General administrative services:		
Board of education:		
Employee benefits	90,306	75,597
Purchased services	92,492	111,758
Miscellaneous	8,585	3,819
	<u>191,383</u>	<u>191,174</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Executive administration:		
Salaries	\$ 254,532	\$ 317,513
Employee benefits	113,325	120,605
Purchased services	33,839	50,455
Supplies	7,961	9,402
Capital outlay	1,070	3,985
Miscellaneous	24,187	22,535
	<u>434,914</u>	<u>524,495</u>
Total general administrative services	626,297	715,669
School administrative services:		
Office of the principal:		
Salaries	1,227,826	1,247,898
Employee benefits	612,441	614,822
Purchased services	3,263	10,303
Supplies	31,840	29,685
Miscellaneous	4,620	3,438
	<u>1,879,990</u>	<u>1,906,146</u>
Other school administrative services:		
Graduation expenses	7,072	5,751
Total school administrative services	<u>1,887,062</u>	<u>1,911,897</u>
Business services:		
Fiscal services:		
Salaries	274,125	259,629
Employee benefits	141,835	135,746
Purchased services	1,187	983
Miscellaneous	434	320
	<u>417,581</u>	<u>396,678</u>
Print center:		
Salaries	22,539	21,143
Employee benefits	11,601	10,496
Purchased services	97,460	95,855
Supplies	22,933	19,141
	<u>154,533</u>	<u>146,636</u>
Other business services:		
Employee benefits	44	2,414
Purchased services	10,941	9,321
Miscellaneous	58,370	131,055
	<u>69,355</u>	<u>142,791</u>
Total business services	641,469	686,105
Operation and maintenance services:		
Operation and maintenance:		
Salaries	929,970	862,444
Employee benefits	485,206	460,208
Purchased services	672,233	654,532
Supplies	1,058,686	1,054,140
Capital outlay	1,915	52,384
Total operation and maintenance services	<u>3,148,010</u>	<u>3,083,708</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 56,575	\$ 87,259
Employee benefits	22,376	33,709
Purchased services	4,285	5,141
Supplies	49,879	34,184
Capital outlay	9,950	-
Miscellaneous	2,144	1,598
Payments to other districts	133,561	117,872
Total pupil transportation services	278,770	279,763
Central services:		
Planning and evaluation:		
Salaries	-	351
Purchased services	15,436	4,725
	15,436	5,077
Communication services:		
Purchased services	8,813	11,126
Staff/personnel services:		
Employee benefits	23,770	12,842
Purchased services	4,996	3,687
	28,766	16,529
Management information services:		
Salaries	133,308	96,261
Employee benefits	76,587	59,140
Purchased services	8,226	9,632
Supplies	303	2,534
	218,424	167,567
Total central services	271,439	200,299
Community services:		
Community services director:		
Purchased services	-	1
Before and after child care:		
Salaries	234,785	215,690
Employee benefits	129,289	118,991
Purchased services	412	10
Supplies	24,121	14,314
Capital outlay	2,843	1,814
Miscellaneous	7,828	13,199
	399,278	364,018
Non-public school pupils:		
Purchased services	3,727	2,924
Total community services	403,005	366,943
Capital outlay:		
Site improvements	7,382	-
Total Expenditures	\$ 26,757,482	\$ 26,415,238

NONMAJOR GOVERNMENTAL FUNDS

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents, deposits and investments	\$ 151,031	\$ 49,316
Receivables:		
Taxes	-	-
Accounts	2,391	15,000
Due from other funds	-	-
Due from other governmental units	7,248	-
Inventory	9,115	-
Prepaid expenditures	1,575	-
Total Assets	\$ 171,360	\$ 64,316
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 22,886	\$ 1,263
Due to other funds	144,541	12,168
Due to other governmental units	198	6,956
Salaries payable	369	29,268
Deferred revenue	3,180	-
Total Liabilities	171,174	49,655
Fund Balances		
Reserved for debt service	-	-
Unreserved:		
Undesignated	186	14,661
Total Fund Balances	186	14,661
Total Liabilities and Fund Balances	\$ 171,360	\$ 64,316

Debt Service				Capital Projects 2000 Construction	Total
2000	2001	2005	2006		
\$ 40,507	\$ 81,798	\$ 95,827	\$ 54,481	\$ 5,352	\$ 478,312
1,393	2,559	3,956	242	-	8,150
-	-	-	-	-	17,391
5,352	-	-	-	-	5,352
-	-	-	-	-	7,248
-	-	-	-	-	9,115
-	-	-	-	-	1,575
<u>\$ 47,252</u>	<u>\$ 84,357</u>	<u>\$ 99,783</u>	<u>\$ 54,723</u>	<u>\$ 5,352</u>	<u>\$ 527,143</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,149
-	-	-	-	5,352	162,061
-	-	-	-	-	7,154
-	-	-	-	-	29,637
1,393	2,559	3,956	242	-	11,330
<u>1,393</u>	<u>2,559</u>	<u>3,956</u>	<u>242</u>	<u>5,352</u>	<u>234,331</u>
45,859	81,798	95,827	54,481	-	277,965
-	-	-	-	-	14,847
<u>45,859</u>	<u>81,798</u>	<u>95,827</u>	<u>54,481</u>	<u>-</u>	<u>292,812</u>
<u>\$ 47,252</u>	<u>\$ 84,357</u>	<u>\$ 99,783</u>	<u>\$ 54,723</u>	<u>\$ 5,352</u>	<u>\$ 527,143</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	-	-
Sales and admissions	693,973	247,645
Other local revenue	-	-
Total local sources	693,973	247,645
State sources	37,830	-
Federal sources	126,237	-
Total Revenues	858,040	247,645
Expenditures		
Current:		
Food service	896,948	-
Athletics	-	768,473
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Total Expenditures	896,948	768,473
Excess (Deficiency) of Revenues Over Expenditures	(38,908)	(520,828)
Other Financing Sources (Uses)		
Loan proceeds	-	-
Transfers in	1,862	508,185
Transfers out	-	-
Total Other Financing Sources (Uses)	1,862	508,185
Net Change in Fund Balances	(37,046)	(12,643)
Fund Balances, July 1	37,232	27,304
Fund Balances, June 30	\$ 186	\$ 14,661

Debt Service				Capital Projects	
2000	2001	2005	2006	2000 Construction	Total
\$ 643,813	\$ 1,309,695	\$ 1,534,213	\$ 866,551	\$ -	\$ 4,354,272
18,130	29,416	26,064	15,038	199	88,847
-	-	-	-	-	941,618
-	-	-	-	3,060	3,060
661,943	1,339,111	1,560,277	881,589	3,259	5,387,797
-	-	-	-	-	37,830
-	-	-	-	-	126,237
661,943	1,339,111	1,560,277	881,589	3,259	5,551,864
-	-	-	-	-	896,948
-	-	-	-	-	768,473
575,000	70,000	1,325,000	400,000	-	2,370,000
63,555	1,222,625	973,592	875,194	-	3,134,966
638,555	1,292,625	2,298,592	1,275,194	-	7,170,387
23,388	46,486	(738,315)	(393,605)	3,259	(1,618,523)
-	-	795,958	426,421	-	1,222,379
5,352	-	-	-	-	515,399
-	-	-	-	(5,352)	(5,352)
5,352	-	795,958	426,421	(5,352)	1,732,426
28,740	46,486	57,643	32,816	(2,093)	113,903
17,119	35,312	38,184	21,665	2,093	178,909
\$ 45,859	\$ 81,798	\$ 95,827	\$ 54,481	\$ -	\$ 292,812

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 713,500	\$ 693,973	\$ (19,527)
State sources	42,000	37,830	(4,170)
Federal sources	85,000	126,237	41,237
Total Revenues	<u>840,500</u>	<u>858,040</u>	<u>17,540</u>
Expenditures			
Current:			
Food service	850,159	896,948	(46,789)
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,659)</u>	<u>(38,908)</u>	<u>(29,249)</u>
Other Financing Sources			
Transfers in	-	1,862	1,862
Net Change in Fund Balances	(9,659)	(37,046)	(27,387)
Fund Balances, July 1	<u>37,232</u>	<u>37,232</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 27,573</u></u>	<u><u>\$ 186</u></u>	<u><u>\$ (27,387)</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance - Positive (Negative)
Revenues			
Local sources	<u>\$ 259,890</u>	<u>\$ 247,645</u>	<u>\$ (12,246)</u>
Expenditures			
Current:			
Athletics	<u>756,139</u>	<u>768,473</u>	<u>(12,334)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(496,249)</u>	<u>(520,828)</u>	<u>(24,579)</u>
Other Financing Sources			
Transfers in	<u>497,310</u>	<u>508,185</u>	<u>10,875</u>
Net Change in Fund Balances	1,061	(12,643)	(13,704)
Fund Balances, July 1	<u>27,304</u>	<u>27,304</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 28,365</u></u>	<u><u>\$ 14,661</u></u>	<u><u>\$ (13,704)</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 151,031	\$ 37,629
Accounts receivable	2,391	-
Due from other governmental units	7,248	21,886
Inventory	9,115	8,930
Prepaid expenditures	<u>1,575</u>	<u>1,575</u>
Total Assets	<u><u>\$ 171,360</u></u>	<u><u>\$ 70,020</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 22,886	\$ 1,712
Due to other funds	144,541	30,162
Due to other governmental units	198	545
Salaries payable	369	369
Deferred revenue	<u>3,180</u>	<u>-</u>
Total Liabilities	<u>171,174</u>	<u>32,788</u>
Fund Balances		
Unreserved:		
Undesignated	<u>186</u>	<u>37,232</u>
Total Liabilities and Fund Balances	<u><u>\$ 171,360</u></u>	<u><u>\$ 70,020</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 369,627	\$ 381,583
Adult lunches	80,207	68,381
Milk	5,934	4,978
Ala carte	208,406	211,852
Vending machines	29,799	32,236
Other	-	3,172
Total local sources	<u>693,973</u>	<u>702,202</u>
State sources	37,830	41,791
Federal sources	<u>126,237</u>	<u>113,144</u>
Total Revenues	<u>858,040</u>	<u>857,137</u>
Expenditures		
Current:		
Food service:		
Salaries	210,671	208,111
Employee benefits	91,718	83,660
Purchased services	158,312	150,693
Supplies	430,455	420,133
Capital outlay	178	2,207
Miscellaneous	5,614	1,009
Total Expenditures	<u>896,948</u>	<u>865,813</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,908)</u>	<u>(8,676)</u>
Other Financing Sources		
Transfers in	<u>1,862</u>	<u>-</u>
Net Change in Fund Balances	(37,046)	(8,676)
Fund Balances, July 1	<u>37,232</u>	<u>45,908</u>
Fund Balances, June 30	<u><u>\$ 186</u></u>	<u><u>\$ 37,232</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 49,316	\$ 3,204
Accounts receivable	15,000	15,000
Due from other funds	<u>-</u>	<u>28,876</u>
Total Assets	<u><u>\$ 64,316</u></u>	<u><u>\$ 47,080</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 1,263	\$ -
Due to other funds	12,168	-
Due to other governmental units	6,956	3,985
Salaries payable	<u>29,268</u>	<u>15,791</u>
Total Liabilities	<u>49,655</u>	<u>19,776</u>
Fund Balances		
Unreserved:		
Undesignated	<u>14,661</u>	<u>27,304</u>
Total Liabilities and Fund Balances	<u><u>\$ 64,316</u></u>	<u><u>\$ 47,080</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 126,076	\$ 84,530
Season tickets	10,889	13,111
Resale supplies	2,890	6,558
Participation fees	100,017	104,570
Tournament revenue	7,673	100,968
Fundraisers	100	582
Total Revenues	<u>247,645</u>	<u>310,319</u>
Expenditures		
Current:		
Athletics:		
Salaries	503,487	514,990
Employee benefits	110,174	106,403
Purchased services	75,997	60,572
Supplies	57,553	48,944
Miscellaneous	21,262	133,853
Total Expenditures	<u>768,473</u>	<u>864,762</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(520,828)</u>	<u>(554,443)</u>
Other Financing Sources		
Transfers in	<u>508,185</u>	<u>519,000</u>
Net Change in Fund Balances	(12,643)	(35,443)
Fund Balances, July 1	<u>27,304</u>	<u>62,747</u>
Fund Balances, June 30	<u><u>\$ 14,661</u></u>	<u><u>\$ 27,304</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>2000</u>	<u>2001</u>	<u>2005</u>
Assets			
Cash equivalents, deposits and investments	\$ 40,507	\$ 81,798	\$ 95,827
Taxes receivable	1,393	2,559	3,956
Due from other funds	5,352	-	-
Prepaid expenditures	-	-	-
Total Assets	<u><u>\$ 47,252</u></u>	<u><u>\$ 84,357</u></u>	<u><u>\$ 99,783</u></u>
 Liabilities and Fund Balances			
Liabilities			
Deferred revenue	<u>\$ 1,393</u>	<u>\$ 2,559</u>	<u>\$ 3,956</u>
Fund Balances			
Reserved for debt service	<u>45,859</u>	<u>81,798</u>	<u>95,827</u>
Total Liabilities and Fund Balances	<u><u>\$ 47,252</u></u>	<u><u>\$ 84,357</u></u>	<u><u>\$ 99,783</u></u>

2006	Totals	
	2008	2007
\$ 54,481	\$ 272,613	\$ 28,654
242	8,150	14,502
-	5,352	83,596
-	-	30
<u>\$ 54,723</u>	<u>\$ 286,115</u>	<u>\$ 126,782</u>
<u>\$ 242</u>	<u>\$ 8,150</u>	<u>\$ 14,502</u>
<u>54,481</u>	<u>277,965</u>	<u>112,280</u>
<u>\$ 54,723</u>	<u>\$ 286,115</u>	<u>\$ 126,782</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	2000	2001	2005
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ 641,341	\$ 1,304,661	\$ 1,528,326
Delinquent property taxes	-	-	-
Other taxes	2,472	5,034	5,887
Interest on delinquent taxes	-	-	-
	<u>643,813</u>	<u>1,309,695</u>	<u>1,534,213</u>
Interest earnings:			
Interest on deposits	<u>18,130</u>	<u>29,416</u>	<u>26,064</u>
Total Revenues	<u>661,943</u>	<u>1,339,111</u>	<u>1,560,277</u>
Expenditures			
Debt service:			
Principal repayment	575,000	70,000	1,325,000
Interest and fiscal charges:			
Interest expense	63,250	1,222,375	973,342
Paying agent fees	305	250	250
Tax refunds	-	-	-
	<u>638,555</u>	<u>1,292,625</u>	<u>2,298,592</u>
Total Expenditures	<u>638,555</u>	<u>1,292,625</u>	<u>2,298,592</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,388</u>	<u>46,486</u>	<u>(738,315)</u>
Other Financing Sources (Uses)			
Transfers in	5,352	-	-
Loan proceeds	-	-	795,958
Transfers out	-	-	-
	<u>5,352</u>	<u>-</u>	<u>795,958</u>
Total Other Financing Sources (Uses)	<u>5,352</u>	<u>-</u>	<u>795,958</u>
Net Change in Fund Balances	<u>28,740</u>	<u>46,486</u>	<u>57,643</u>
Fund Balances, July 1	<u>17,119</u>	<u>35,312</u>	<u>38,184</u>
Fund Balances, June 30	<u><u>\$ 45,859</u></u>	<u><u>\$ 81,798</u></u>	<u><u>\$ 95,827</u></u>

2006	Totals	
	2008	2007
\$ 863,223	\$ 4,337,551	\$ 4,109,553
-	-	369
3,328	16,721	334
-	-	14,011
866,551	4,354,272	4,124,267
15,038	88,648	101,432
881,589	4,442,920	4,225,699
400,000	2,370,000	2,255,000
874,969	3,133,936	3,110,149
225	1,030	1,250
-	-	8,337
1,275,194	5,504,966	5,374,736
(393,605)	(1,062,046)	(1,149,037)
-	5,352	25,165
426,421	1,222,379	1,136,382
-	-	(25,165)
426,421	1,227,731	1,136,382
32,816	165,685	(12,655)
21,665	112,280	124,935
\$ 54,481	\$ 277,965	\$ 112,280

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

2000 Construction—to account for bond proceeds used to finance building construction and renovation projects and furniture and equipment purchases.

2006 Construction—to account for bond proceeds used to finance building construction and renovation projects and furniture and equipment purchases.

2007 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 1,576,682	\$ 1,316,172
Taxes receivable	439	807
Due from other funds	<u>2,997</u>	<u>9,142</u>
Total Assets	<u><u>\$ 1,580,118</u></u>	<u><u>\$ 1,326,121</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 12,100	\$ 31,025
Due to other funds	28,776	-
Deferred revenue	<u>439</u>	<u>807</u>
Total Liabilities	<u>41,315</u>	<u>31,832</u>
Fund Balances		
Reserved for capital outlay*	<u>1,538,803</u>	<u>1,294,289</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,580,118</u></u>	<u><u>\$ 1,326,121</u></u>

*The Board of Education has designated \$40,000 of the Building and Site Fund fund balance for future athletic field turf replacement, in conjunction with an equal commitment from the City of East Grand Rapids.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 268,745	\$ 258,137
Delinquent property taxes	-	26
Other taxes	-	14
Interest on delinquent taxes	1,036	880
	<u>269,781</u>	<u>259,057</u>
Interest earnings:		
Interest on deposits and investments	<u>32,319</u>	<u>75,319</u>
Total Revenues	<u>302,100</u>	<u>334,376</u>
Expenditures		
Current:		
Business services:		
Tax refunds	-	553
Capital outlay:		
Building improvements	40,464	88,932
Furniture and equipment	1,022	1,931
Miscellaneous	16,100	-
	<u>57,586</u>	<u>91,416</u>
Total Expenditures	<u>57,586</u>	<u>91,416</u>
Net Change in Fund Balances	<u>244,514</u>	<u>242,960</u>
Fund Balances, July 1	<u>1,294,289</u>	<u>1,051,329</u>
Fund Balances, June 30	<u><u>\$ 1,538,803</u></u>	<u><u>\$ 1,294,289</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 5,352</u>	<u>\$ 2,093</u>
Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 5,352</u>	<u>\$ -</u>
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>2,093</u>
Total Liabilities and Fund Balances	<u>\$ 5,352</u>	<u>\$ 2,093</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2000 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Interest earnings:		
Interest on deposits and investments	\$ 199	\$ 241
Other local sources:		
Refunds of expenditures	<u>3,060</u>	<u>-</u>
Total Revenues	<u>3,259</u>	<u>241</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>3,259</u>	<u>241</u>
Other Financing Sources (Uses)		
Transfers out	<u>(5,352)</u>	<u>-</u>
Net Change in Fund Balances	(2,093)	241
Fund Balances, July 1	<u>2,093</u>	<u>1,852</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 2,093</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 4,447,753	\$ 16,741,846
Due from other funds	<u>8,750</u>	<u>6,000</u>
Total Assets	<u><u>\$ 4,456,503</u></u>	<u><u>\$ 16,747,846</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 269,160	\$ 1,757,857
Due to other funds	<u>45,935</u>	<u>-</u>
Total Liabilities	<u>315,095</u>	<u>1,757,857</u>
Fund Balances		
Reserved for capital outlay	<u>4,141,408</u>	<u>14,989,989</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,456,503</u></u>	<u><u>\$ 16,747,846</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2006 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 490,359	\$ 825,693
Expenditures		
Capital outlay:		
Construction manager fees	378,899	93,065
Architect fees	240,419	1,132,593
Other professional services	96,837	120,799
Buildings and additions	8,842,388	1,846,182
Furniture and equipment	1,780,397	1,632,404
Bond issuance costs	-	34,968
Total Expenditures	<u>11,338,940</u>	<u>4,860,011</u>
Net Change in Fund Balances	(10,848,581)	(4,034,318)
Fund Balances, July 1	<u>14,989,989</u>	<u>19,024,307</u>
Fund Balances, June 30	<u><u>\$ 4,141,408</u></u>	<u><u>\$ 14,989,989</u></u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2007 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 11,633,854</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 308,324	\$ -
Due to other funds	<u>8,750</u>	<u>-</u>
Total Liabilities	<u>317,074</u>	<u>-</u>
Fund Balances		
Reserved for capital outlay	<u>11,316,780</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 11,633,854</u>	<u>\$ -</u>

EAST GRAND RAPIDS PUBLIC SCHOOLS
2007 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 126,306	\$ -
Expenditures		
Capital outlay:		
Construction manager fees	266,756	-
Legal fees	3,943	-
Architect fees	725,493	-
Other professional services	21,368	-
Buildings and additions	178,238	-
Bond issuance costs	136,445	-
Underwriter's discount	55,558	-
Total Expenditures	<u>1,387,801</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,261,495)</u>	<u>-</u>
Other Financing Sources		
Bond proceeds	12,480,000	-
Bond premium	98,275	-
Total Other Financing Sources	<u>12,578,275</u>	<u>-</u>
Net Change in Fund Balances	<u>11,316,780</u>	<u>-</u>
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 11,316,780</u></u>	<u><u>\$ -</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

EAST GRAND RAPIDS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008
Assets				
Cash equivalents, deposits and investments	\$ 335,243	\$ 812,219	\$ 798,046	\$ 349,416
Accounts receivable	<u>2,202</u>	<u>-</u>	<u>2,202</u>	<u>-</u>
Total Assets	<u><u>\$ 337,445</u></u>	<u><u>\$ 812,219</u></u>	<u><u>\$ 800,248</u></u>	<u><u>\$ 349,416</u></u>
Liabilities				
Due to other funds	\$ -	\$ 30,508	\$ 30,470	\$ 38
Due to other governmental units	-	87	-	87
Due to student groups	<u>337,445</u>	<u>781,624</u>	<u>769,778</u>	<u>349,291</u>
Total Liabilities	<u><u>\$ 337,445</u></u>	<u><u>\$ 812,219</u></u>	<u><u>\$ 800,248</u></u>	<u><u>\$ 349,416</u></u>

OTHER INFORMATION

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County		Total
	City of East Grand Rapids	Township of Grand Rapids	
Taxable Valuations			
Operating	\$ 53,438,418	\$ 2,711,829	\$ 56,150,247
Recreation/Debt Service/Building & Site	512,374,036	33,360,802	545,734,838
Rates (Mills)			
General Fund - Operating			18.0000
General Fund - Recreation			1.3455
2000 Debt Service Fund			1.1800
2001 Debt Service Fund			1.9780
2004 Debt Service Fund			3.2020
2006 Debt Service Fund			1.5900
Building and Site Fund			0.4926
			<u>27.7881</u>
Taxes Levied 2007 Rolls			
General Fund - Operating	\$ 961,980	\$ 48,813	\$ 1,010,793
General Fund - Recreation	689,379	44,886	734,265
2000 Debt Service Fund	602,278	39,214	641,492
2001 Debt Service Fund	1,225,138	79,770	1,304,908
2004 Debt Service Fund	1,435,294	93,452	1,528,746
2006 Debt Service Fund	810,645	52,781	863,426
Building and Site Fund	252,375	16,433	268,808
	<u>5,977,089</u>	<u>375,349</u>	<u>6,352,438</u>
Taxes Uncollected 2007 Rolls			
General Fund - Operating	2,414	-	2,414
General Fund - Recreation	182	-	182
2000 Debt Service Fund	158	-	158
2001 Debt Service Fund	265	-	265
2004 Debt Service Fund	429	-	429
2006 Debt Service Fund	213	-	213
Building and Site Fund	66	-	66
	<u>3,727</u>	<u>-</u>	<u>3,727</u>
Taxes Collected 2007 Rolls			
General Fund - Operating	959,566	48,813	1,008,379
General Fund - Recreation	689,197	44,886	734,083
2000 Debt Service Fund	602,120	39,214	641,334
2001 Debt Service Fund	1,224,873	79,770	1,304,643
2004 Debt Service Fund	1,434,865	93,452	1,528,317
2006 Debt Service Fund	810,432	52,781	863,213
Building and Site Fund	252,309	16,433	268,742
	<u>5,973,362</u>	<u>375,349</u>	<u>6,348,711</u>
Delinquent Taxes Collected			
General Fund	47	-	47
2000 Debt Service Fund	18	-	18
2001 Debt Service Fund	9	-	9
2004 Debt Service Fund	10	-	10
Building and Site Fund	3	-	3
	<u>87</u>	<u>-</u>	<u>87</u>

(Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	Kent County		
	City of East Grand Rapids	Township of Grand Rapids	Total
Total Taxes Collected			
General Fund - Operating	\$ 959,613	\$ 48,813	\$ 1,008,426
General Fund - Recreation	689,197	44,886	734,083
2000 Debt Service Fund	602,138	39,214	641,352
2001 Debt Service Fund	1,224,882	79,770	1,304,652
2004 Debt Service Fund	1,434,875	93,452	1,528,327
2006 Debt Service Fund	810,432	52,781	863,213
Building and Site Fund	252,312	16,433	268,745
	<u>\$ 5,973,449</u>	<u>\$ 375,349</u>	<u>\$ 6,348,798</u>
Taxes Uncollected - June 30, 2008			
General Fund - Operating:			
2007	\$ 2,596	\$ -	\$ 2,596
2006	512	-	512
2005	14,916	-	14,916
	<u>18,024</u>	<u>-</u>	<u>18,024</u>
2000 Debt Service Fund:			
2007	158	-	158
2006	25	-	25
2005	1,210	-	1,210
	<u>1,393</u>	<u>-</u>	<u>1,393</u>
2001 Debt Service Fund:			
2007	265	-	265
2006	53	-	53
2005	2,241	-	2,241
	<u>2,559</u>	<u>-</u>	<u>2,559</u>
2004 Debt Service Fund:			
2007	429	-	429
2006	76	-	76
2005	3,451	-	3,451
	<u>3,956</u>	<u>-</u>	<u>3,956</u>
2006 Debt Service Fund:			
2007	213	-	213
2006	29	-	29
	<u>242</u>	<u>-</u>	<u>242</u>
Building and Site Fund:			
2007	66	-	66
2006	11	-	11
2005	362	-	362
	<u>439</u>	<u>-</u>	<u>439</u>
Total Taxes Uncollected	<u>\$ 26,613</u>	<u>\$ -</u>	<u>\$ 26,613</u>

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 22, 2008

The Board of Education
East Grand Rapids Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of East Grand Rapids Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by East Grand Rapids Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in performing and completing our audit for the year ended June 30, 2008.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit for the year ended June 30, 2008.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated October 22, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by East Grand Rapids Public Schools management.

District-wide Financial Statements

1. \$856,856 to record accrued interest payable at June 30, 2008.
2. \$453,346 and \$137,211 to record amortizable bond issuance costs and bond premium.
3. \$281,161 to record 2007-08 additions to State School Bond Loan Fund interest expense.
4. \$1,424,532 to record 2007-08 depreciation expense on capital assets.

General Fund

1. \$23,031 to adjust State aid to the August, 2008 status report.
2. \$243,424 to record fund balance designated for joint facilities and textbook purchases.

Construction Funds

1. \$267,845 and \$ 308,324 to record accounts payable at June 30, 2008.

Building and Site Fund

1. \$40,000 to record fund balance designated for turf replacement.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit. As we found no significant deficiencies or material weaknesses during the audit, no SAS 112 letter is required.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures are detailed in Appendix A, attached to this letter.

Other Comments

The District's General Fund balance increased by \$598,757 during the 2007-08 fiscal year, to a balance of \$4,992,311 at June 30, 2008. This balance represents 17.9 % of the District's 2008-09 expenditure budget, up from 16% at June 30, 2007. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for East Grand Rapids Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

East Grand Rapids Public Schools
October 22, 2008
Page 4

Closing

This communication is intended solely for the information and use of the East Grand Rapids Public Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Horton, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
EAST GRAND RAPIDS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of East Grand Rapids Public Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions

BUDGETS

- Budget adoptions, amendments for all required funds
 - **The General Fund budget (for both revenues and expenditures) should be closely monitored near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
 - **The Food Service Fund budget should reflect USDA entitlement and bonus commodities used as federal revenues and food expenditures to match actual transactions recorded in the financial statements. The Athletic Fund budget should be reviewed at year-end and amended, if needed, to avoid an excess of expenditures over final budgeted amounts.**
- Documented authorization for all budget amendments

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, preschool/childcare). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
EAST GRAND RAPIDS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Assistant Superintendent of Business and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
EAST GRAND RAPIDS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs
- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
EAST GRAND RAPIDS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The District should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

STUDENT ACTIVITY ACCOUNTS

- **The Student Activity Fund should be used only for "student activities": those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.**

**EAST GRAND RAPIDS
PUBLIC SCHOOLS
Kent County, Michigan**

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

TABLE OF CONTENTS

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2008

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	12
Notes to Schedule of Expenditures of Federal Awards	14

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 22, 2008

The Board of Education
East Grand Rapids Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand Rapids Public Schools, as of and for the year ended June 30, 2008, which collectively comprise East Grand Rapids Public School's basic financial statements and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Grand Rapids Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Grand Rapids Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Grand Rapids Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education
East Grand Rapids Public Schools
October 22, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Grand Rapids Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of East Grand Rapids Public Schools in a separate letter dated October 22, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldine, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 22, 2008

The Board of Education
East Grand Rapids Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of East Grand Rapids Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. East Grand Rapids Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Grand Rapids Public School's management. Our responsibility is to express an opinion on East Grand Rapids Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Grand Rapids Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Grand Rapids Public School's compliance with those requirements.

In our opinion, East Grand Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of East Grand Rapids Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Grand Rapids Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Grand Rapids Public School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand Rapids Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise East Grand Rapids Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldine, Nichols & Carter, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
061530 0607		\$ 13,630
071530 0607		83,546
081530 0708		<u>114,976</u>
Total Title I		<u>212,152</u>
Title IIA:	84.367	
060520 0607		35,282
070520 0607		58,364
080520 0708		<u>66,276</u>
Total Title IIA		<u>159,922</u>
Title IID:	84.318	
084290 0708		<u>1,024</u>
Title V:	84.298	
070250 0607		610
080250 0708		<u>782</u>
Total Title V		<u>1,392</u>
Total Passed Through MDE		<u>374,490</u>
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186A	
072860 0607 Program		4,888
082860 0708 Program		<u>5,604</u>
Total Safe and Drug Free Schools and Communities Act		<u>10,492</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 11,937	\$ 11,937	\$ —	\$ 11,937	\$ —
34,922	69,292	—	34,922	—
—	—	113,672	86,857	26,815
46,859	81,229	113,672	133,716	26,815
30,021	30,021	—	30,021	—
33,608	51,827	—	33,608	—
—	—	49,911	22,971	26,940
63,629	81,848	49,911	86,600	26,940
—	—	1,024	—	1,024
198	441	—	198	—
—	—	782	380	402
198	441	782	578	402
110,686	163,518	165,389	220,894	55,181
—	3,221	1,667	1,667	—
—	—	4,087	4,087	—
—	3,221	5,754	5,754	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**EAST GRAND RAPIDS PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 070450 0607		\$ 406,520
Flow Through – 080450 0708		416,671
		<hr/>
Total I.D.E.A. – Flow Through		823,191
		<hr/>
I.D.E.A. – Transition:	84.027A	
Transition – 080490 TS		1,479
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 070460 0607		15,458
Preschool – 080460 0708		18,842
		<hr/>
Total I.D.E.A. – Preschool		34,300
		<hr/>
Total Special Education Cluster		858,970
		<hr/>
Total Passed Through KISD		869,462
		<hr/>
Total U.S. Department of Education		1,243,952
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid:	93.778	
0607 Program		379
0708 Program		624
		<hr/>
Total U.S. Department of Health and Human Services		1,003
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 164,665	\$ —	\$ —	\$ 164,665	\$ —
—	—	416,671	254,097	162,574
164,665	—	416,671	418,762	162,574
—	—	1,479	1,479	—
6,063	—	—	6,063	—
—	—	18,842	12,617	6,225
6,063	—	18,842	18,680	6,225
170,728	—	436,992	438,921	168,799
170,728	3,221	442,746	444,675	168,799
281,414	166,739	608,135	665,569	223,980
379	—	—	379	—
—	—	624	—	624
379	—	624	379	624

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**EAST GRAND RAPIDS PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Program Cluster:		
Lunches:	10.555	
Section 4 – Total Servings – 1950		\$ 31,975
Section 11 – Free and Reduced – 1960		53,500
Total Lunches		85,475
Special Milk		
Servings – 1940	10.556	5,804
Total Nutrition Cluster Program		91,279
U.S.D.A. Commodities:		
Entitlement Commodities	10.550	34,958
Total U.S. Department of Agriculture (Passed through MDE)		126,237
Total Federal Financial Assistance		\$ 1,371,192

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 6,067 7,708	\$ —	\$ 31,975 53,500	\$ 38,042 61,208	\$ —
13,775	—	85,475	99,250	—
828	—	5,804	6,632	—
14,603	—	91,279	105,882	—
—	—	34,958	34,958	—
14,603	—	126,237	140,840	—
\$ 296,396	\$ 166,739	\$ 734,996	\$ 806,788	\$ 224,604

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between Type A and
Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST GRAND RAPIDS PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – The amounts reported on the Recipient Entitlement Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 113,672	\$ 113,672	\$ —
Title IIA	49,911	49,911	—
Title IID	1,024	1,024	—
Title V	782	782	—
Safe and Drug Free Schools and Communities Act	5,754	5,754	—
Special Education Cluster	436,992	436,992	—
School Based Medicaid	624	624	—
Nutrition Cluster	91,279	91,279	—
U.S.D.A. Commodities	34,958	34,958	—
	\$ 734,996	\$ 734,996	\$ —